

## Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input checked="" type="checkbox"/> Twp <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Unit Name Township of Lyon	County Roscommon
Fiscal Year End 3/31/07	Opinion Date 8/25/07	Date Audit Report Submitted to State 9/27/07	

We affirm that:

We are certified public accountants licensed to practice in Michigan.


We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

YES NO **Check each applicable box below.** (See instructions for further detail.)

1. ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☒ ☐ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☒ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☒ ☐ The local unit has adopted a budget for all required funds.
5. ☒ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☒ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☒ ☐ The local unit is free of repeated comments from previous years.
12. ☒ ☐ The audit opinion is UNQUALIFIED.
13. ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☒ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

<b>We have enclosed the following:</b>	Enclosed	Not Required (enter a brief justification)		
Financial Statements	<input checked="" type="checkbox"/>			
The letter of Comments and Recommendations	<input checked="" type="checkbox"/>			
Other (Describe)	<input type="checkbox"/>			
Certified Public Accountant (Firm Name) James M. Anderson, P.C.		Telephone Number (989) 563-2450		
Street Address P.O. Box 255		City Roscommon	State MI	Zip 48653
Authorizing CPA Sign 	Printed Name James M. Anderson, CPA	License Number 1101017419		

Digitally signed by James M. Anderson, CPA  
DN: cn=James M. Anderson, c=US, o=James M. Anderson, P.C., email=jma@m33access.com  
Date: 2007.09.27 09:23:49 -04'00'

**TOWNSHIP OF LYON**  
**ROSCOMMON COUNTY, MICHIGAN**  
**AUDITED FINANCIAL STATEMENTS**  
**MARCH 31, 2007**

**TOWNSHIP OFFICIALS**

Supervisor

Paul Tatro

Clerk

Anna Reno

Treasurer

Craig Williams

**TRUSTEES**

George Dougherty

Fred Koenigbauer

# TOWNSHIP OF LYON

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## James M. Anderson, P.C.

CERTIFIED PUBLIC ACCOUNTANT

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### INDEPENDENT AUDITOR'S REPORT

August 25, 2007

Township Board  
Lyon Township  
Roscommon County, Michigan

I have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Township of Lyon, as of and for the year ended March 31, 2007, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Township's management. My responsibility is to express an opinion based on these financial statements on my audit.

I conducted my audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinion.

In my opinion, the financial statements referred to in the first paragraph present fairly, in all material respects, the financial position of the governmental activities, each major fund activity, and the aggregate remaining fund information of the Township of Lyon, as of March 31, 2007, and the respective changes in financial position thereof and for the year then ended in conformity with accounting principles generally accepted in the United States of America.

MEMBER MACPA and AICPA

Township Board  
Lyon Township  
Roscommon County, Michigan  
August 25, 2007  
Page 2

The management's discussion and analysis on pages 3-8 and budgetary comparison information on pages 28-36 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. I have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, I did not audit the information and express no opinion on it.

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Township of Lyon's basic financial statements. The introductory section and combining financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining financial statements have been subjected to the auditing procedures applied in the audit of the basic financial statements taken as a whole. The introductory section has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, I express no opinion on them.

A handwritten signature in dark ink, appearing to read 'J M Anderson', with a stylized flourish at the end.

JAMES M. ANDERSON, P.C.  
CERTIFIED PUBLIC ACCOUNTANT

## TOWNSHIP OF LYON MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of Lyon Township (the "Township"), we offer readers of the Township's financial statements this narrative overview and analysis of the financial activities of the Township for the fiscal year ended March 31, 2007.

### **Financial Highlights**

- . The assets of the Township exceeded its liabilities at the close of the most recent fiscal year by \$1,920,499 (*net assets*). Of this amount, \$1,225,319 (*unrestricted net assets*) may be used to meet the Township's ongoing obligations.
- . The Township's total net assets increased by \$218,538.
- . As of the close of the current fiscal year, the Township's general fund, reported an ending fund balance of \$264,839, a decrease of \$17,847 in comparison with the prior year.
- . At the end of the current fiscal year, unreserved fund balance for the general fund was \$264,839 or 54% of total general expenditures.

### **Overview of the Financial Statements**

This discussion and analysis is intended to serve as an introduction to the Township's basic financial statements. The Township's basic financial statements consist of three components: 1)Government-wide financial statements, 2)Fund financial statements, and 3)Notes to the financial statements. This report also contains other supplemental information in addition to the basic financial statements themselves.

**Government-wide financial statements.** The *Government-wide financial statements* are designed to provide readers with a broad overview of the Township's finances, in a manner similar to a private-sector business.

The *statement of net assets* presents information on all of the Township's assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Township is improving or deteriorating.

The *statement of activities* presents information showing how the Township's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

TOWNSHIP OF LYON  
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

Both of the Government-wide financial statements present functions of the Township that are principally supported by taxes and intergovernmental revenues (*governmental activities*). The governmental activities of the Township include general government, public safety, public works, and recreation and cultural. The Township does not have any business-type activities as of and for the year ended March 31, 2007.

The Government-wide financial statements can be found on pages 9-10 of this report.

**Fund financial statements.** A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Township, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Township can be divided into two categories: governmental funds and fiduciary funds.

**Governmental funds.** *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the Government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a Township's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the Government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The Township maintains five governmental funds. Information is presented in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General, Road Improvement, Fire, Sanitation, Cemetery and Building Funds.

The Township adopts an annual appropriated budget for its governmental funds. Budgetary comparison statements or schedules have been provided for the governmental funds herein to demonstrate compliance with the budget.

The basic governmental fund financial statements can be found on pages 11-15 of this report.

**Fiduciary funds.** Fiduciary funds are used to account for resources held for the benefit of parties outside the Township. Fiduciary funds are *not* reflected in the Government-wide financial statements because the resources of those funds are *not* available to support the Township's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.



TOWNSHIP OF LYON  
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

**Notes to financial statements.** The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 19-27 of this report.

**Government-wide Financial Analysis**

A portion of the Township's net assets (22%) reflects its investments in capital assets (e.g., land, land improvements, buildings, and equipment); less any related debt used to acquire those assets that is still outstanding. The Township uses these capital assets to provide services to the community; consequently, these assets are *not* available for future spending.

**Township's Net Assets**

	<u>Governmental Activities</u>
Current and Other Assets	\$ 1,691,486
Capital Assets, Net	<u>513,023</u>
Total Assets	<u>2,204,509</u>
Current Liabilities	246,526
Long-Term Liabilities	<u>37,484</u>
Total Liabilities	<u>284,010</u>
Net Assets:	
Invested in Capital Assets, Net of Related Debt	439,685
Restricted	255,495
Unrestricted	<u>1,225,319</u>
<b>Total Net Assets</b>	<u><u>\$ 1,920,499</u></u>

TOWNSHIP OF LYON  
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

The Township's net assets increased by \$218,538 during the current fiscal year. Unrestricted net assets - the part of net assets that can be used to finance day to day operations, increased by \$168,544 or 6%, during fiscal year 2007.

**Township's Changes in Net Assets**

	<b><u>Governmental Activities</u></b>
<b>Revenue:</b>	
Program Revenue:	
Charges for services	\$ 112,285
Operating Grants and Contributions	186,585
General Revenue:	
Property Taxes	745,822
State-Shared Revenues	109,628
Sale of Capital Assets	13,722
Interest	33,072
Other	<u>4,984</u>
<b>Total Revenue</b>	<u>1,206,098</u>
<b>Expenses:</b>	
General Government	247,676
Public Safety	282,756
Public Works	445,187
Recreation and cultural	7,141
Interest on Long-Term Debt	<u>4,800</u>
<b>Total Expenses</b>	<u>987,560</u>
<b>Increase in Net Assets</b>	218,538
Net Assets, Beginning of Year	<u>1,701,961</u>
<b>Net Assets, End of Year</b>	<u><u>\$ 1,920,499</u></u>

**Financial Analysis of the Government's Funds**

As noted earlier, the Township uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

TOWNSHIP OF LYON  
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

As of the end of the current fiscal year, the Township's governmental funds reported combined ending fund balances of \$1,480,814 an increase of \$275,440 in comparison with the prior year. The *undesignated fund balance*, which is available for spending at the Township's discretion, constitutes 83% of this total amount.

The primary governmental fund is the General Fund of the Township. As a measure of the general fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures. Undesignated fund balance represents 122% of total general fund expenditures.

The fund balance of the General Fund decreased by \$17,847 during the current fiscal year.

**General Fund Budgetary Highlights**

The Township's budgets are prepared in accordance with Michigan Law. The budgeted funds are the General, Road Improvement, Fire, Sanitation, and Building Funds.

**Capital Assets and Debt Administration**

**Capital assets.** The Township's investment in capital assets for its governmental activities as of March 31, 2007, amounted to \$513,023 (net of accumulated depreciation). Investment in capital assets includes land, land improvements, buildings, and equipment. Additions totaled \$61,893 for the fiscal year.

**Township's Capital Assets**  
(net of depreciation)

Land	\$ 1,501
Buildings and Improvements	158,082
Machinery and Equipment	<u>353,440</u>
Total	<u><u>\$ 513,023</u></u>

Additional information on the Township's capital assets can be found in note F on page 25 of this report.

TOWNSHIP OF LYON  
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

**Factors Bearing on the Township's Future**

The following factors were considered in preparing the Township's budget for the 2007-2008 fiscal year:

Sewer Project - The new sewer project construction is expected to begin in October, 2007. The Township had previously received a grant from the State of Michigan for \$352,530 for the planning of the project. The total project is budgeted at approximately \$6,000,000. With the gifts and contributions and low interest rate of the financing, the township is not expected to have significant expenditures from its general fund budget towards the project.

Park and Cemetery Millage - The residents of the township voted in favor of a millage for the expansion of the Township cemetery and park improvements.

Recycle Center - The Township is planning to construct a new pole building at the Recycle center.

Oak Heights Special Assessment - A special assessment is being collected for Oak Heights for road improvements including paving the streets. Once completed, the roads will be transferred to the County Road Commission as a public road. The total estimated cost of the project is \$255,000.

**Requests for Information**

This financial report is designed to provide a general overview of the Township's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to:

**Lyon Township  
PO Box 48  
Higgins Lake, MI 48627**

TOWNSHIP OF LYON  
STATEMENT OF NET ASSETS  
MARCH 31, 2007

	<u>Governmental Activities</u>
<b>ASSETS</b>	
Current Assets:	
Cash and investments	\$ 687,184
Receivables:	
Accounts Receivable	18,131
Taxes and Assessments	775,314
Other Governmental Units	<u>210,857</u>
Total Current Assets	1,691,486
Non-Current Assets:	
Capital Assets - Net	<u>513,023</u>
Total Assets	<u>2,204,509</u>
<b>LIABILITIES</b>	
Current Liabilities:	
Accounts Payable	210,672
Current Portion of Long-term Debt	<u>35,854</u>
Total Current Liabilities	<u>246,526</u>
Long-Term Liabilities:	
Lease Purchase Agreement	<u>37,484</u>
Total Liabilities	<u>284,010</u>
<b>NET ASSETS</b>	
Invested in Capital Assets, Net of Related Debt	439,685
Restricted	255,495
Unrestricted	<u>1,225,319</u>
Total Net Assets	<u><u>\$ 1,920,499</u></u>

The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF LYON  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED MARCH 31, 2007

	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Net (Expense) Revenue</u>
GOVERNMENTAL ACTIVITIES					
General	\$ (247,676)	\$ 40,234	\$ -0-	\$ -0-	\$ (207,442)
Public Safety	(282,756)	72,051	-0-	-0-	(210,705)
Public Works	(445,187)	-0-	186,585	-0-	(258,602)
Recreation and Cultural	(7,141)	-0-	-0-	-0-	(7,141)
Interest on Long-Term Debt	(4,800)	-0-	-0-	-0-	(4,800)
Total Governmental Activities	<u>\$ (987,560)</u>	<u>\$ 112,285</u>	<u>\$ 186,585</u>	<u>\$ -0-</u>	<u>(688,690)</u>
GENERAL REVENUES					
Property Taxes Levied for:					
General Purpose					125,111
Public Safety					358,820
Public Works					261,891
State Shared Revenue not restricted to specific purposes					109,628
Sale of Capital Assets					13,722
Miscellaneous					4,984
Investment Earnings					<u>33,072</u>
Total General Revenues					<u>907,228</u>
Change in Net Assets					218,538
Net Assets - April 1					<u>1,701,961</u>
Net Assets - March 31					<u>\$ 1,920,499</u>

The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF LYON  
COMBINING BALANCE SHEET  
GOVERNMENTAL FUNDS  
MARCH 31, 2007

ASSETS	<u>General</u>	<u>Road Improvement</u>
Cash and investments	\$ 104,645	\$ 108,180
Taxes receivable	154,602	77,195
Due from other Governmental Units	210,857	-0-
Accounts receivable	<u>3,382</u>	<u>-0-</u>
Total Assets	<u>\$ 473,486</u>	<u>\$ 185,375</u>
LIABILITIES AND FUND EQUITY		
Liabilities:		
Accounts payable	<u>\$ 208,647</u>	<u>\$ -0-</u>
Total Liabilities	<u>208,647</u>	<u>-0-</u>
Fund Equity:		
Fund balance:		
Designated for fire equipment	-0-	-0-
Undesignated	<u>264,839</u>	<u>185,375</u>
Total Fund Equity	<u>264,839</u>	<u>185,375</u>
Total Liabilities and Fund Equity	<u>\$ 473,486</u>	<u>\$ 185,375</u>

The accompanying notes are an integral part of these financial statements.

<u>Fire</u>	<u>Sanitation</u>	<u>Building</u>	<u>Totals</u>
\$ 302,407	\$ 171,933	\$ 19	\$ 687,184
261,892	281,625	-0-	775,314
-0-	-0-	-0-	210,857
14,749	-0-	-0-	18,131
<u>\$ 579,048</u>	<u>\$ 453,558</u>	<u>\$ 19</u>	<u>\$ 1,691,486</u>

<u>\$ 2,025</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ 210,672</u>
<u>2,025</u>	<u>-0-</u>	<u>-0-</u>	<u>210,672</u>

255,495	-0-	-0-	255,495
<u>321,528</u>	<u>453,558</u>	<u>19</u>	<u>1,225,319</u>
<u>577,023</u>	<u>453,558</u>	<u>19</u>	<u>1,480,814</u>
<u>\$ 579,048</u>	<u>\$ 453,558</u>	<u>\$ 19</u>	<u>\$ 1,691,486</u>



TOWNSHIP OF LYON  
RECONCILIATION OF FUND BALANCES ON BALANCE SHEET  
FOR GOVERNMENTAL FUNDS TO NET ASSETS OF  
GOVERNMENTAL ACTIVITIES ON THE STATEMENT OF NET ASSETS  
MARCH 31, 2007

TOTAL FUND BALANCES - GOVERNMENTAL ACTIVITIES	\$ 1,480,814
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Amounts reported for governmental activities in the  
Statement of Net Assets are different because:

Capital assets used in governmental activities are  
not current financial resources and therefore are  
not recorded in the funds. This represents the  
amounts by which capital assets used in  
governmental funds exceeds accumulated deprecia-  
tion.

439,685

TOTAL NET ASSETS - GOVERNMENTAL ACTIVITIES	<u><u>\$ 1,920,499</u></u>
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The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF LYON  
 COMBINING STATEMENT OF REVENUE, EXPENDITURES AND  
 CHANGES IN FUND BALANCE  
 BUDGET AND ACTUAL - GENERAL AND SPECIAL REVENUE FUNDS  
 YEAR ENDED MARCH 31, 2007

	<u>General</u>	<u>Road Improvement</u>	<u>Fire</u>
Revenues:			
Taxes and assessments	\$ 125,111	\$ 77,195	\$ 261,891
Intergovernmental	296,213	-0-	-0-
Charges for services	33,984	-0-	49,419
Licenses and permits	400	-0-	-0-
Interest	6,407	4,236	12,024
Other	<u>7,515</u>	<u>3,151</u>	<u>88,300</u>
Total Revenues	<u>469,630</u>	<u>84,582</u>	<u>411,634</u>
Expenditures:			
General government	264,127	-0-	-0-
Building administration	3,624	-0-	-0-
Fire	-0-	-0-	219,952
Sewer	207,317	-0-	-0-
Sanitation	-0-	-0-	-0-
Road projects	-0-	19,033	-0-
Recreation and cultural	9,799	-0-	-0-
Debt Service:			
Principal	-0-	-0-	34,387
Interest	<u>-0-</u>	<u>-0-</u>	<u>4,400</u>
Total Expenditures	<u>484,867</u>	<u>19,033</u>	<u>258,739</u>
Excess:			
Revenue over (under) expenditures	<u>(15,237)</u>	<u>65,549</u>	<u>152,895</u>
Other financing sources (uses):			
Operating transfers in	-0-	-0-	-0-
Operating transfers (out)	<u>(2,610)</u>	<u>-0-</u>	<u>-0-</u>
Total Other Financing Sources (Uses)	<u>(2,610)</u>	<u>-0-</u>	<u>-0-</u>
Excess:			
Revenue & other financing sources over(under) expenditures & other Uses	(17,847)	65,549	152,895
Fund Balance - April 1	<u>282,686</u>	<u>119,826</u>	<u>424,128</u>
Fund Balance - March 31	<u>\$ 264,839</u>	<u>\$ 185,375</u>	<u>\$ 577,023</u>

The accompanying notes are an integral part of these financial statements.

<u>Sanitation</u>	<u>Building</u>	<u>Totals</u>
\$ 281,625	\$ -0-	\$ 745,822
-0-	-0-	296,213
-0-	-0-	83,403
-0-	22,632	23,032
10,388	17	33,072
<u>168</u>	<u>-0-</u>	<u>99,134</u>
<u>292,181</u>	<u>22,649</u>	<u>1,280,676</u>
-0-	-0-	264,127
-0-	25,879	29,503
-0-	-0-	219,952
-0-	-0-	207,317
216,718	-0-	216,718
-0-	-0-	19,033
-0-	-0-	9,799
-0-	-0-	34,387
<u>-0-</u>	<u>-0-</u>	<u>4,400</u>
<u>216,718</u>	<u>25,879</u>	<u>1,005,236</u>
<u>75,463</u>	<u>(3,230)</u>	<u>275,440</u>
-0-	2,610	2,610
<u>-0-</u>	<u>-0-</u>	<u>(2,610)</u>
<u>-0-</u>	<u>2,610</u>	<u>-0-</u>
75,463	(620)	275,440
<u>378,095</u>	<u>639</u>	<u>1,205,374</u>
<u>\$ 453,558</u>	<u>\$ 19</u>	<u>\$ 1,480,814</u>

TOWNSHIP OF LYON  
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED MARCH 31, 2007

NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS \$275,440

Amounts reported for governmental activities in the Statement of Activities are different because:

Governmental funds do not report long-term debt; therefore, debt service payments are recorded as expenditures. However in government-wide financial statements, long-term debt is recorded as a liability and payments are applied against the outstanding balances. 34,387

Governmental funds report capital outlays as expenditures. However in the statement of activities, the cost of these assets are capitalized and depreciation charged to expense over their useful life. (91,289)

CHANGES IN NET ASSETS - GOVERNMENTAL ACTIVITIES \$ 218,538

The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF LYON  
STATEMENT OF FIDUCIARY NET ASSETS  
MARCH 31, 2007

ASSETS		
Cash and Investments		<u>\$ 935,962</u>
LIABILITIES		
Undistributed Collections		<u>935,962</u>
Total Liabilities		<u>935,962</u>
NET ASSETS		
Net Assets		<u><u>\$ -0-</u></u>

The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF LYON  
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS  
YEAR ENDED MARCH 31, 2007

REVENUES	
Property Tax Collections	\$ 3,917,296
Interest Collections	11,817
Other	<u>218,220</u>
Total Revenues	<u>4,147,333</u>
EXPENDITURES	
Property Taxes	3,917,296
Other	<u>230,037</u>
Total Expenditures	<u>4,147,333</u>
Excess of Revenues over Expenditures	-0-
Net Assets - April 1	<u>-0-</u>
Net Assets - March 31	<u><u>\$ -0-</u></u>

The accompanying notes are an integral part of these financial statements.

TOWNSHIP OF LYON  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED MARCH 31, 2007

NOTE A: ENTITY

The Township of Lyon is a general law township of the state of Michigan located in Roscommon County, Michigan. It operates under an elected board and provides services to its residents in many areas including liquor law enforcement, community enrichment, and human services. As required by generally accepted accounting principles and Governmental Accounting Standards Board (GASB) Statement no. 14 "The Financial Reporting Entity", these financial statements present the Township of Lyon (primary government) and its component units. The criteria established by the GASB for determining the reporting entity includes oversight responsibility, fiscal dependency, and whether the financial statements would be misleading if data were not included.

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Township of Lyon conform to generally accepted accounting principles as applicable to governments. The following is a summary of the more significant policies.

GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS: The government-wide financial statements (i.e., the statements of net assets and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support.

Likewise, the *primary government* is reported separately from certain legally separate *component units* for which the primary government is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Indirect expenses* are charged based upon a Township-wide cost allocation plan which allocates costs based upon the number of full time equivalents, number of transactions, and other pertinent information. *Program revenues* include (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items that are not properly included among program revenues are reported instead as *general revenues*.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

TOWNSHIP OF LYON  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
YEAR ENDED MARCH 31, 2007

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

MEASUREMENT FOCUS, BASIS OF ACCOUNTING, AND FINANCIAL STATEMENT PRESENTATION: The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Grant revenues are considered to be available when all eligibility requirements imposed by the provider have been met. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures and select compensated absences are recorded only when payment is due.

Property taxes, intergovernmental revenue, charges for services and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the Township.

The Township reports following major governmental funds:

The *General Fund* is the Township's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The *Road Improvement Fund* is used to account for road special assessment collections and corresponding improvement expenditures.

The *Fire Fund* is used to account for all financial activity related to the Township's fire and ambulance service. The main source of revenue is derived from property taxes and ambulance fees.

The *Sanitation Fund* is used to account for the Township's refuse pick-up services. The primary source of revenue is derived from property tax assessments.



TOWNSHIP OF LYON  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
YEAR ENDED MARCH 31, 2007

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

MEASUREMENT FOCUS BASIS OF ACCOUNTING AND FINANCIAL STATEMENT PRESENTATION (CONTINUED)

The Township also reports the following non-major governmental fund:

Building Fund

Additionally, the Township reports the following fund types:

*Agency Funds* are used to account for assets held on behalf of outside parties, including other governments.

Property tax revenues are recognized as follows:

Properties are assessed as of December 31 and the related property taxes are levied on December 1 of the following year. These taxes are due on February 15; uncollected amounts are subsequently added to the county delinquent tax rolls. A county revolving fund normally pays the balance of the Township's tax levy by May 31 of each year. In accordance with GASB 33 "Accounting and Financial Reporting for Nonexchange Transactions", the Township records the property tax revenue when it becomes an enforceable legal claim for the Township. Therefore, all taxes levied on December 1, 2006, are recorded as revenue in the current year. The Township's taxable value for the 2006 tax year totaled \$116,310,481.

The tax rates for the year ended March 31, 2007, were as follows:

<u>PURPOSE</u>	<u>RATE/ASSESSED VALUATION</u>
General	1.0806 mills per \$1,000
Road Improvements	.4573 mills per \$1,000
Fire	2.2633 mills per \$1,000
Sanitation	Special Assessment

BUDGETS - Public Act 621 of 1978 as amended provides that a local unit shall not incur expenditures in excess of the amount appropriated. The approved budgets of the Township for budgetary funds were adopted on a fund level. Budgets are normally formulated during January and February of each year and a budget hearing is held in March. The board normally adopts the budget just prior to April 1. Amendments are made to the budgets when determined to be necessary throughout the year. Unused appropriations for budgeted activities lapse at the end of the year. The budget amounts shown in the financial statements are the final authorized amounts as revised during the year.

ESTIMATES - The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

TOWNSHIP OF LYON  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
YEAR ENDED MARCH 31, 2007

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

CAPITAL ASSETS - Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$1,000 and an estimated useful life in excess of two years. Such assets are valued at cost where historical records are available and at an estimated historical cost where no historical records exists. Donated capital assets are valued at their estimated fair value on the date received.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related capital assets, as applicable.

No interest expense has been incurred or capitalized on capital assets reported in proprietary funds.

Depreciation on the capital assets (including infrastructure), is computed using the straight-line or sum-of-the-years digits method over the following estimated useful lives:

	<u>Years</u>
Land improvements	20
Buildings	30-50
Public domain infrastructure	8-50
Equipment	3-20

LONG-TERM OBLIGATIONS - In the government-wide financial statements, the long-term debt and other long-term obligations are reported as liabilities. For new bond issuances after the implementation of GASB Statement No. 34, bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the straight-line method which approximates the effective interest method. Bonds payable are reported net of the applicable bond premium or discount.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

TOWNSHIP OF LYON  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
YEAR ENDED MARCH 31, 2007

NOTE C - CASH AND INVESTMENTS

The captions or combined balance sheet related to deposits and investments are as follows:

	<u>Cash and Deposits</u>	<u>Investments</u>	<u>Totals</u>
Government Activities	\$ 1,700	\$ 685,484	\$ 687,184
Agency Funds	<u>2,725</u>	<u>933,237</u>	<u>935,962</u>
Totals	<u>\$ 4,425</u>	<u>\$ 1,618,721</u>	<u>\$ 1,623,146</u>

The Government Accounting Standards Board Statement No. 3 risk disclosures for Lyon Township's cash deposits are as follows:

	<u>Carrying Amount</u>	<u>Bank Balance</u>
Insured (FDIC)	\$ 4,425	\$ 15,449
Uninsured and Uncollateralized	<u>-0-</u>	<u>-0-</u>
Total Deposits	<u>\$ 4,425</u>	<u>\$ 15,449</u>

Deposits - At year-end, the carrying amount of the Township's deposits was \$4,425 and the bank balance was \$15,449. According to Section 330.8 of the Federal Deposit Insurance Corporation Rules and Regulations, 100% of the total bank balance was covered by federal depository insurance.

Investments - P.A. 20 of 1943, authorizes the Township to deposit and invest in the following:

- a. Bonds and other direct obligations of the United States or its agencies.
- b. Certificates of deposit, savings accounts, deposit accounts, or depository receipts of federally insured banks, insured savings and loan associations or credit unions insured by the national credit union administration that are eligible to be depository of surplus money belonging to the State under section 5 or 6 of act 105, PA 1855, as amended (MCL 21.145 and 21.146).
- c. Commercial paper rated at time of purchase within the three highest classifications established by not less than two standard rating services. Maturity cannot be more than 270 days after purchase.
- d. United States governmental or Federal agency obligation repurchase agreements.
- e. Bankers' acceptance of United States banks.
- f. Mutual funds composed of investments which are legal for direct investments by local units of government in Michigan.

TOWNSHIP OF LYON  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
YEAR ENDED MARCH 31, 2007

NOTE C - CASH AND INVESTMENTS (CONTINUED):

The Township's investments are categorized below to give an indication of the level of risk assumed by the Township at year-end. Category 1 includes investments that are insured or registered or for which the securities are held by the Township or its agent in the Township's name. Category 2 includes uninsured and unregistered investments for which the securities are held by the broker's or dealer's trust department or agent in the Township's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the broker or dealer, or by its trust department or agent but not in the Township's name.

	<u>1</u>	<u>Category 2</u>	<u>3</u>	<u>Carrying Amount</u>	<u>Market Value</u>
Risk Categorized:					
Repurchase Agreements	\$ -0-	\$ -0-	\$1,618,721	\$1,618,721	\$1,618,721
Total Investments	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$1,618,721</u>	<u>\$1,618,721</u>	<u>\$1,618,721</u>

NOTE D - ACCOUNTS RECEIVABLE

Accounts receivable consists of ambulance billings of \$14,749 and miscellaneous receivables of \$3,382.

NOTE E - DUE FROM OTHER GOVERNMENTAL UNITS

Due from other governmental units consists of amounts due from the State of Michigan of \$202,914 and Roscommon County of \$7,943.

TOWNSHIP OF LYON  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
YEAR ENDED MARCH 31, 2007

NOTE F - CAPITAL ASSETS

Capital asset activity for the year ended March 31, 2007 was as follows:

<u>Primary Government</u>	<u>Beginning of year</u>	<u>Increases</u>	<u>Decreases</u>	<u>End of Year</u>
Governmental activities:				
Land	<u>\$ 1,501</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ 1,501</u>
Total capital Assets, not being depreciated	<u>1,501</u>	<u>-0-</u>	<u>-0-</u>	<u>1,501</u>
Capital assets, being depreciated:				
Building and improvements	292,725	25,915	-0-	318,640
Machinery and equipment	<u>927,473</u>	<u>35,978</u>	<u>137,683</u>	<u>825,768</u>
Total capital assets, being depreciated	<u>1,220,198</u>	<u>61,893</u>	<u>137,683</u>	<u>1,144,408</u>
Less accumulated depreciation for:				
Buildings and improvements	153,912	6,646	-0-	160,558
Machinery and equipment	<u>463,475</u>	<u>71,958</u>	<u>63,105</u>	<u>472,328</u>
Total accumulated depreciation	<u>617,387</u>	<u>78,604</u>	<u>63,105</u>	<u>632,886</u>
Net capital assets, being depreciated	<u>602,811</u>	<u>(16,711)</u>	<u>74,578</u>	<u>511,522</u>
Net governmental activities capital assets	<u>\$ 604,312</u>	<u>\$ (16,711)</u>	<u>\$ 74,578</u>	<u>\$ 513,023</u>

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental activities:	
General government	\$ 4,449
Public safety	69,679
Public works	2,119
Recreation and cultural	<u>2,357</u>
Total depreciation expense - governmental activities	<u>\$ 78,604</u>

NOTE G - PENSION PLAN

The Township has a defined contribution pension plan covering substantially all of its elected and appointed officials and employees. Total pension expense for the year was \$10,284. Payments to the plan have been used to purchase pension benefits, so there are no separate plan assets.

TOWNSHIP OF LYON  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
YEAR ENDED MARCH 31, 2007

NOTE H - LONG-TERM DEBT

The following is a summary of the debt outstanding of the Township as of March 31, 2007:

	<u>Interest Rate %</u>	<u>Maturing Through</u>	<u>Principal Outstanding</u>
Lease Purchase Agreement	4.499%	2008	\$ <u>73,338</u>
Total			\$ <u>73,338</u>

CHANGES IN LONG-TERM DEBT

	<u>Balance April 1, 2006</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance March 31, 2007</u>
General Long-Term Debt	\$ <u>107,725</u>	\$ <u>-0-</u>	\$ <u>34,387</u>	\$ <u>73,338</u>

On November 15, 2004 the township had entered into an agreement to purchase a custom pumper truck which required a deposit with CSI Emergency Apparatus, LLC of \$35,823. The total purchase price of the equipment was \$276,608 with \$107,725 financed through a lease purchase agreement. The terms require three annual payments of \$39,186.75 starting June 15, 2006 with an interest rate of 4.499%.

ANNUAL DEBT SERVICE REQUIREMENTS:

Year Ending <u>March 31,</u>	
2008	\$ 39,187
2009	<u>39,187</u>
	78,374
Less Interest	<u>(5,036)</u>
Total Principal Outstanding	<u>\$ 73,338</u>

TOWNSHIP OF LYON  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
YEAR ENDED MARCH 31, 2007

NOTE I - INSURANCE

The Township is a member of the Michigan Municipal Liability and Property Pool. As a member of the Pool, the Township is partially self-insured for general and auto liability, motor vehicle physical damage and property loss claims. Under most circumstances, the municipality's maximum coverage is limited as follows:

<u>Type</u>	<u>Limit</u>	<u>Deductible</u>
Property	\$ 1,136,175	250
Liability	2,000,000	-0-
Errors and Omission	2,000,000	-0-
Medical	10,000	-0-
Automobiles	2,000,000	100
Crime	10,000	-0-
Inland Marine	142,000	250
Workmen's Compensation	STATUTORY	-0-

NOTE J - RESTRICTED NET ASSETS

The Board has restricted a portion of the fire fund net assets toward the purchase of fire fighting equipment. The restricted amount at March 31, 2007 is \$255,495.

**REQUIRED  
SUPPLEMENTARY  
INFORMATION**



TOWNSHIP OF LYON  
GENERAL FUND  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL  
YEAR ENDED MARCH 31, 2007

	<u>Original Budget</u>	<u>Final Amended Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Revenues:				
Taxes and Assessments:				
General property taxes	<u>\$ 120,168</u>	<u>\$ 120,168</u>	<u>\$ 125,111</u>	<u>\$ 4,943</u>
Total Taxes and Assessments	<u>120,168</u>	<u>120,168</u>	<u>125,111</u>	<u>4,943</u>
Intergovernmental:				
State shared revenues	100,000	100,000	99,459	(541)
State swamp tax	8,000	8,000	7,943	(57)
Metro Act	3,500	3,500	2,226	(1,274)
DNR Planning Grant	<u>-0-</u>	<u>-0-</u>	<u>186,585</u>	<u>186,585</u>
Total Intergovernmental	<u>111,500</u>	<u>111,500</u>	<u>296,213</u>	<u>184,713</u>
Charges for Services:				
Tax collection fees	9,200	9,200	17,970	8,770
Other fees	4,600	4,600	15,039	10,439
Rent	<u>1,000</u>	<u>1,000</u>	<u>975</u>	<u>(25)</u>
Total Charges for Services	<u>14,800</u>	<u>14,800</u>	<u>33,984</u>	<u>19,184</u>
Licenses and Permits	<u>415</u>	<u>415</u>	<u>400</u>	<u>(15)</u>
Interest	<u>5,000</u>	<u>5,000</u>	<u>6,407</u>	<u>1,407</u>
Other:				
Cemetery lots and internments	7,000	7,000	5,850	(1,150)
Miscellaneous	<u>2,550</u>	<u>2,550</u>	<u>1,665</u>	<u>(885)</u>
Total Other	<u>9,550</u>	<u>9,550</u>	<u>7,515</u>	<u>(2,035)</u>
Total Revenue	<u>261,433</u>	<u>261,433</u>	<u>469,630</u>	<u>208,197</u>

TOWNSHIP OF LYON  
GENERAL FUND  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL  
YEAR ENDED MARCH 31, 2007

	Original Budget	Final Amended Budget	Actual	Variance Favorable (Unfavorable)
General Government				
Township Board				
Salaries-board	\$ 8,100	\$ 8,100	\$ 8,368	\$ (268)
Wages - receptionist/clerical	3,500	3,500	3,963	(463)
Wages - building & grounds	9,000	9,000	10,626	(1,626)
Wages - land division	200	200	488	(288)
Payroll taxes	12,000	12,000	10,420	1,580
Health insurance	1,400	2,600	2,625	(25)
Legal fees	10,000	10,000	6,808	3,192
Contractual fees	1,800	1,800	3,485	(1,685)
Professional services	3,000	3,000	850	2,150
Retirement	10,000	10,000	9,046	954
Utilities	2,500	2,500	2,504	(4)
Repairs and maintenance	4,000	6,500	5,496	1,004
Insurance and bonds	12,000	13,825	13,824	1
Printing and publishing	10,000	10,000	9,850	150
Postage	1,000	1,000	1,542	(542)
Office supplies	4,600	4,600	3,927	673
Dues and subscriptions	1,800	1,800	1,774	26
Street lights	1,700	1,700	3,374	(1,674)
Miscellaneous	100	100	1,151	(1,051)
Total Township Board	96,700	102,225	100,121	2,104
Township Supervisor:				
Salary and wages	17,080	17,080	16,975	105
Mileage	200	200	-0-	200
Education and training	200	200	85	115
Total Township Supervisor	17,480	17,480	17,060	420
Township Assessor:				
Salary and wages	43,250	43,250	43,189	61
Fringe benefits	5,200	5,200	3,957	1,243
Supplies	2,800	2,800	2,481	319
Mileage	400	400	498	(98)
Postage	1,500	1,500	1,657	(157)
Continuing education	100	100	-0-	100
Miscellaneous	100	100	150	(50)
Total Township Assessor	53,350	53,350	51,932	1,418

TOWNSHIP OF LYON  
GENERAL FUND  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL  
YEAR ENDED MARCH 31, 2007

	<u>Original Budget</u>	<u>Final Amended Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
General Government (continued)				
Election Board:				
Wages	\$ 1,000	\$ 1,300	\$ 1,258	\$ 42
Contractual services	300	350	353	(3)
Mileage	50	50	100	(50)
Supplies	<u>50</u>	<u>920</u>	<u>902</u>	<u>18</u>
Total Election Board	<u>1,400</u>	<u>2,620</u>	<u>2,613</u>	<u>7</u>
Township Clerk:				
Salary and wages	22,380	22,380	21,815	565
Mileage	250	250	89	161
Miscellaneous	<u>550</u>	<u>550</u>	<u>-0-</u>	<u>550</u>
Total Township Clerk	<u>23,180</u>	<u>23,180</u>	<u>21,904</u>	<u>1,276</u>
Township Treasurer:				
Salary and wages	22,350	22,350	21,602	748
Postage	2,200	2,200	2,308	(108)
Mileage	500	500	305	195
Miscellaneous	<u>100</u>	<u>100</u>	<u>-0-</u>	<u>100</u>
Total Township Treasurer	<u>25,150</u>	<u>25,150</u>	<u>24,215</u>	<u>935</u>
Board of Review:				
Salaries	1,500	1,500	1,235	265
Miscellaneous	<u>100</u>	<u>100</u>	<u>-0-</u>	<u>100</u>
Total Board of Review	<u>1,600</u>	<u>1,600</u>	<u>1,235</u>	<u>365</u>
Township Hall:				
Contract services	2,400	2,400	1,169	1,231
Utilities	4,500	4,500	4,860	(360)
Supplies	500	1,160	922	238
Insurance and bonds	1,200	1,200	959	241
Repairs and maintenance	1,000	1,000	3,793	(2,793)
Mileage	100	100	183	(83)
Miscellaneous	50	50	20	30
Equipment/building	<u>1,500</u>	<u>1,500</u>	<u>-0-</u>	<u>1,500</u>
Total Township Hall	<u>11,250</u>	<u>11,910</u>	<u>11,906</u>	<u>4</u>

TOWNSHIP OF LYON  
GENERAL FUND  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL  
YEAR ENDED MARCH 31, 2007

	<u>Original Budget</u>	<u>Final Amended Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
General Government (continued)				
Cemetery:				
Salaries and wages	1,000	1,000	555	445
Supplies	800	800	299	501
Contracted services	3,050	3,050	3,228	(178)
Mileage	200	200	247	(47)
Utilities	400	400	865	(465)
Insurance	700	700	890	(190)
Repairs and maintenance	100	100	738	(638)
Miscellaneous	100	100	-0-	100
Capital Improvements	<u>8,000</u>	<u>20,480</u>	<u>20,900</u>	<u>(420)</u>
Total Cemetery	<u>14,350</u>	<u>26,830</u>	<u>27,722</u>	<u>(892)</u>
Ordinance Enforcement:				
Salaries and wages	2,500	2,500	2,060	440
Supplies	100	100	39	61
Mileage	<u>300</u>	<u>300</u>	<u>179</u>	<u>121</u>
Total Ordinance Enforcement	<u>2,900</u>	<u>2,900</u>	<u>2,278</u>	<u>622</u>
Planning Commission:				
Salaries and wages	3,150	3,150	2,055	1,095
Contracted Services	250	250	624	(374)
Miscellaneous	<u>100</u>	<u>100</u>	<u>60</u>	<u>40</u>
Total Planning Commission	<u>3,500</u>	<u>3,500</u>	<u>2,739</u>	<u>761</u>
Board of Appeals:				
Salaries and wages	1,500	1,500	300	1,200
Miscellaneous	<u>-0-</u>	<u>-0-</u>	<u>102</u>	<u>(102)</u>
Total Board of Appeals	<u>1,500</u>	<u>1,500</u>	<u>402</u>	<u>1,098</u>
Total General Government	<u>252,360</u>	<u>272,245</u>	<u>264,127</u>	<u>8,118</u>

TOWNSHIP OF LYON  
GENERAL FUND  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL  
YEAR ENDED MARCH 31, 2007

	Original Budget	Final Amended Budget	Actual	Variance Favorable (Unfavorable)
Building Administration:				
Zoning and meeting wages	\$ 3,500	\$ 3,665	\$ 3,399	\$ 266
Mileage	50	50	225	(175)
Total Building Administration	<u>3,550</u>	<u>3,715</u>	<u>3,624</u>	<u>91</u>
Sewer Project:				
Professional Services	<u>-0-</u>	<u>-0-</u>	<u>207,317</u>	<u>(207,317)</u>
Total Sewer Project	<u>-0-</u>	<u>-0-</u>	<u>207,317</u>	<u>(207,317)</u>
Parks and Recreation:				
Contracted services	100	100	632	(532)
Supplies	1,300	1,300	1,129	171
Mileage	150	150	383	(233)
Utilities	400	400	-0-	400
Insurance	500	500	719	(219)
Repairs and maintenance	500	1,080	1,921	(841)
Miscellaneous	50	50	-0-	50
Capital Improvements	<u>6,000</u>	<u>6,000</u>	<u>5,015</u>	<u>985</u>
Total Parks and Recreation	<u>9,000</u>	<u>9,580</u>	<u>9,799</u>	<u>(219)</u>
Total Expenditures	<u>264,910</u>	<u>285,540</u>	<u>484,867</u>	<u>(199,327)</u>
Excess:				
Revenue over (under) expenditures	<u>(3,477)</u>	<u>(24,107)</u>	<u>(15,237)</u>	<u>8,870</u>
Other financing sources (uses)				
Operating transfers (out)	<u>(500)</u>	<u>(500)</u>	<u>(2,610)</u>	<u>(2,110)</u>
Total Other Financing Sources (Uses)	<u>(500)</u>	<u>(500)</u>	<u>(2,610)</u>	<u>(2,110)</u>
Excess:				
Revenue & other financing sources over (under) expenditures & other financing uses	<u>(3,977)</u>	<u>(24,607)</u>	<u>(17,847)</u>	<u>6,760</u>
Fund Balance - April 1	<u>124,376</u>	<u>124,376</u>	<u>282,686</u>	<u>158,310</u>
Fund Balance - March 31	<u>\$ 120,399</u>	<u>\$ 99,769</u>	<u>\$ 264,839</u>	<u>\$ 165,070</u>

TOWNSHIP OF LYON  
ROAD IMPROVEMENT FUND  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL  
YEAR ENDED MARCH 31, 2007

	Original Budget	Final Amended Budget	Actual	Variance Favorable (Unfavorable)
Revenues:				
Taxes	\$ 75,051	\$ 75,051	\$ 77,195	\$ 2,144
Interest	1,200	1,200	4,236	3,036
Other	<u>13,626</u>	<u>13,626</u>	<u>3,151</u>	<u>(10,475)</u>
Total Revenues	<u>89,877</u>	<u>89,877</u>	<u>84,582</u>	<u>(5,295)</u>
Expenditures:				
Road Improvements	<u>133,895</u>	<u>133,895</u>	<u>19,033</u>	<u>114,862</u>
Total Expenditures	<u>133,895</u>	<u>133,895</u>	<u>19,033</u>	<u>114,862</u>
Excess:				
Revenues over (under) expenditures	(44,018)	(44,018)	65,549	109,567
Fund Balance - April 1	<u>44,018</u>	<u>44,018</u>	<u>119,826</u>	<u>75,808</u>
Fund Balance - March 31	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ 185,375</u>	<u>\$ 185,375</u>

TOWNSHIP OF LYON  
FIRE FUND  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL  
YEAR ENDED MARCH 31, 2007

	Original Budget	Final Amended Budget	Actual	Variance Favorable (Unfavorable)
Revenues:				
Taxes	\$ 251,692	\$ 251,692	\$ 261,891	\$ 10,199
Charges for services	30,000	30,000	49,419	19,419
Interest	5,800	5,800	12,024	6,224
Sale of fixed assets	<u>100</u>	<u>100</u>	<u>88,300</u>	<u>88,200</u>
Total Revenues	<u>287,592</u>	<u>287,592</u>	<u>411,634</u>	<u>124,042</u>
Expenditures:				
Wages	91,700	91,700	77,113	14,587
Fringe benefits	7,500	7,500	5,776	1,724
Utilities	8,000	8,000	4,410	3,590
Office supplies	2,000	2,000	456	1,544
Communication	2,000	2,000	2,896	(896)
Training & education	6,000	6,000	4,095	1,905
Insurance	22,000	22,000	19,164	2,836
Supplies	9,200	9,200	9,836	(636)
Repairs and maintenance	9,000	9,000	13,295	(4,295)
Services	21,950	21,950	36,130	(14,180)
Mileage	1,000	1,000	543	457
Miscellaneous	3,500	3,500	370	3,130
Equipment/building	77,000	77,000	45,468	31,532
Debt Services:				
Principal	70,000	70,000	34,387	35,613
Interest and fees	<u>-0-</u>	<u>-0-</u>	<u>4,800</u>	<u>(4,800)</u>
Total Expenditures	<u>330,850</u>	<u>330,850</u>	<u>258,739</u>	<u>72,111</u>
Excess:				
Revenues over (under) expenditures	(43,258)	(43,258)	152,895	196,153
Fund Balance - April 1	<u>424,128</u>	<u>424,128</u>	<u>424,128</u>	<u>-0-</u>
Fund Balance - March 31	<u>\$ 380,870</u>	<u>\$ 380,870</u>	<u>\$ 577,023</u>	<u>\$ 196,153</u>

TOWNSHIP OF LYON  
SANITATION FUND  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL  
YEAR ENDED MARCH 31, 2007

	Original Budget	Final Amended Budget	Actual	Variance Favorable (Unfavorable)
Revenues:				
Special Assessments	\$ 285,375	\$ 285,375	\$ 281,625	\$ (3,750)
Interest	4,900	4,900	10,388	5,488
Other	<u>100</u>	<u>100</u>	<u>168</u>	<u>68</u>
Total Revenues	<u>290,375</u>	<u>290,375</u>	<u>292,181</u>	<u>1,806</u>
Expenditures:				
Wages	4,550	4,550	5,415	(865)
Fringe benefits	700	700	473	227
Contracted services	215,250	215,250	208,375	6,875
Mileage	1,000	1,000	1,384	(384)
Repairs and maintenance	500	500	1,029	(529)
Miscellaneous	123,643	123,643	42	123,601
Capital outlay	<u>40,000</u>	<u>40,000</u>	<u>-0-</u>	<u>40,000</u>
Total Expenditures	<u>385,643</u>	<u>385,643</u>	<u>216,718</u>	<u>168,925</u>
Excess:				
Revenues over (under) expenditures	(95,268)	(95,268)	75,463	170,731
Fund Balance - April 1	<u>95,268</u>	<u>95,268</u>	<u>378,095</u>	<u>282,827</u>
Fund Balance - March 31	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ 453,558</u>	<u>\$ 453,558</u>



TOWNSHIP OF LYON  
BUILDING FUND  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL  
YEAR ENDED MARCH 31, 2007

	Original Budget	Final Amended Budget	Actual	Variance Favorable (Unfavorable)
Revenues:				
License and permits	\$ 37,700	\$ 37,700	\$ 22,632	\$ (15,068)
Interest	15	15	17	2
Total Revenues	<u>37,715</u>	<u>37,715</u>	<u>22,649</u>	<u>(15,066)</u>
Expenditures:				
Wages	12,750	12,750	11,444	1,306
Fringe benefits	1,000	1,000	876	124
Office supplies	200	200	260	(60)
Insurance	300	300	865	(565)
Contracted services	17,550	17,550	11,856	5,694
Mileage	400	400	534	(134)
Miscellaneous	6,589	6,589	44	6,545
Total Expenditures	<u>38,789</u>	<u>38,789</u>	<u>25,879</u>	<u>12,910</u>
Excess:				
Revenues over (under) expenditures	<u>(1,074)</u>	<u>(1,074)</u>	<u>(3,230)</u>	<u>(2,156)</u>
Other financing sources (uses)				
Operating transfers (in)	<u>-0-</u>	<u>-0-</u>	<u>2,610</u>	<u>2,610</u>
Total Other Financing Sources (Uses)	<u>-0-</u>	<u>-0-</u>	<u>2,610</u>	<u>2,610</u>
Excess:				
Revenue & other financing sources over (under) expenditures & other uses	(1,074)	(1,074)	(620)	454
Fund Balance - April 1	<u>1,074</u>	<u>1,074</u>	<u>639</u>	<u>(435)</u>
Fund Balance - March 31	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ 19</u>	<u>\$ 19</u>



James M. Anderson, P.C.

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**COMMUNICATION OF SIGNIFICANT DEFICIENCIES  
AND MATERIAL WEAKNESSES**

August 25, 2007

Township Board  
Lyon Township  
Roscommon County, Michigan

In planning and performing my audit of the financial statements of the governmental activities and each major fund of the Township of Lyon, Michigan as of and for the year ended March 31, 2007, in accordance with auditing standards generally accepted in the United States of America, I considered Lyon Township's internal control over financial reporting as a basis for designing my auditing procedures for the purpose of expressing my opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the governmental unit's internal control. Accordingly I do not express an opinion on the effectiveness of the governmental unit's internal control.

My consideration of internal control was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, as discussed below, I identified certain deficiencies in internal control that I consider to be material weaknesses.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or a combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. I consider the following deficiencies to be significant deficiencies in internal control.

The relatively small number of people involved in the accounting functions of the Township and the design of the accounting system as developed by the state make it difficult to adequately segregate duties. Segregation of accounting duties is a fundamental method of strengthening internal control. However, in deciding what internal control procedures should be implemented, the Township Board must consider the costs of implementing them and weigh those costs against the benefits to be derived from their implementation.

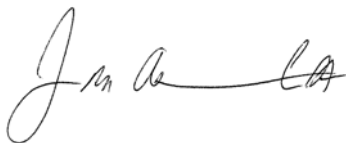
MEMBER MACPA and AICPA

All Michigan governments are required to prepare financial statements in accordance with generally accepted accounting principals (GAAP). This is a responsibility of the Township's management. The preparation of financial statements in accordance with GAAP requires internal controls over both (1) recording, processing, and summarizing accounting data (i.e., maintaining internal books and records), and (2) reporting government-wide and fund financial statements, including the related footnotes (i.e., external financial reporting). As is the case with most small and medium-sized entities, the Township has historically relied on its independent external auditor to assist in the preparation of the government-wide financial statements and footnotes as part of its external financial reporting process. Accordingly, the Township's ability to prepare financial statements in accordance with GAAP is based, in part, on its reliance on its external auditors, who cannot, by definition, be considered a part of the government's internal controls. This condition was caused by the Township's determination that it is more cost effective to outsource the preparation of its annual financial statements to the auditors than to incur the time and expense of obtaining the necessary training and expertise required for the Township to perform this task internally.

A material weakness is a significant deficiency, or a combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Township's internal control. I believe that the deficiencies described above are material weaknesses.

In addition, I noted other matters involving the internal control and its operation that I have reported to the management of Lyon Township in a separate letter dated August 25, 2007.

This communication is intended solely for the information and use of the Board and others within the organization. This restriction is not intended to limit the distribution of the report, which is a matter of public record.

A handwritten signature in cursive script, appearing to read "J M Anderson".

JAMES M. ANDERSON, P.C.  
CERTIFIED PUBLIC ACCOUNTANT

**TOWNSHIP OF LYON**  
**REPORT TO MANAGEMENT**  
**MARCH 31, 2007**



## James M. Anderson, P.C.

CERTIFIED PUBLIC ACCOUNTANT

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August 25, 2007

Township Board  
Lyon Township  
Roscommon County, Michigan

In planning and performing my audit of the financial statements of the Township of Lyon, Roscommon County, as of and for the year ended March 31, 2007, I considered the Township's accounting, operational, and internal control procedures to determine the nature and extent of my audit testing for the purpose of expressing an opinion on the financial statements of the Township and not to provide assurance on the procedures themselves.

I did however, during the course of my audit, become aware of certain matters that are opportunities for enhancing those procedures or controls. The memorandum that accompanies this letter summarizes my comments and suggestions regarding those matters. This letter does not affect my report dated August 25, 2007, on the financial statements of the Township of Lyon.

I have already discussed these comments and suggestions with the Township's personnel, and I will be pleased to discuss them in further detail at your convenience, and/or to perform any additional studies of these matters, should you so desire.

Sincerely,

A handwritten signature in dark ink, appearing to read "JMA", is written over a light blue horizontal line.

JAMES M. ANDERSON, P.C.  
CERTIFIED PUBLIC ACCOUNTANT

**LYON TOWNSHIP  
COMMENTS AND RECOMMENDATIONS  
MARCH 31, 2007**

**Bank Accounts**

The bank accounts for the township are being reconciled each month. However, they are not reconciled using a month end cut-off date and copies of the bank reconciliations are not retained. I recommend that the bank reconciliations be prepared using the month end as the cut-off and a copy of the bank reconciliation retained which includes a detail list of the deposits in transit and outstanding checks. In addition, the Clerk and Treasurer should reconcile the general ledger to the reconciliation each month.

**Special Assessment**

The township collects a special assessment for Oak Heights Road. These funds are currently held in the Road Improvement Fund along with the Road Improvement general assessments. I recommend that a new fund be established for the Oak Heights Road Special Assessment and the balance of the prior assessments be transferred to it. This will assure that the Oak Heights funds are expended for only the purposes they are intended.

**Sewer Project**

The Township received \$207,399 in March of 2007 as part of a planning grant from the State of Michigan for a future sewer project. This money was placed in the Township Trust & Agency account and subsequently paid out to the engineering firm. Because the township is named as the grantee of those funds, the grant activity should be reflected in the township's general ledger as part of the General Fund or a new special revenue fund.

In addition, the grant activity should be budgeted for both the revenue and expenditures. The net result of including the grant in the General Fund as part of the audit was a \$199,327 unfavorable variance in the overall expenditures compared to the budget.



## James M. Anderson, P.C.

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August 25, 2007

Township Board  
Lyon Township  
Roscommon County, MI

Dear Board Members:

I have audited the financial statements of each major fund and the aggregate remaining fund information of the Township of Lyon for the year ended March 31, 2007, and have issued my report thereon dated August 25, 2007. Professional standards require that I provide you with the following information related to my audit.

### My Responsibility Under U.S. Generally Accepted Auditing Standards and Government Auditing Standards

As stated in my engagement letter dated August 22, 2007, my responsibility, as described by professional standards, is to plan and perform my audit to obtain reasonable, but not absolute, assurance about whether the financial statements are free of material misstatement and are fairly presented in accordance with U.S. generally accepted accounting standards. Because an audit is designed to provide reasonable, but not absolute assurance and because I did not perform a detailed examination of all transactions, there is a risk that material misstatements may exist and not be detected by me.

As part of my audit, I considered the internal control of the Township of Lyon. Such considerations were solely for the purpose of determining my audit procedures and not to provide any assurance concerning such internal control.

As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, I performed tests of Lyon Township's compliance with certain provisions of laws, regulations, contracts, and grants. However, the objective of my tests was not to provide an opinion on compliance with such provisions.

### Significant Accounting Policies

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of my engagement letter, I will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by the Township of Lyon are described in Note A to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the year. I noted no transactions entered into by the Township of Lyon during the year that were both significant and unusual, and of which, under professional standards, I am required to inform you, or transactions for which there is a lack of authoritative guidance or consensus.

MEMBER MACPA and AICPA

#### Accounting Estimates

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected.

#### Audit Adjustments

For purposes of this letter, professional standards define an audit adjustment as a proposed correction of the financial statements that, in my judgment, may not have been detected except through my auditing procedures. An audit adjustment may or may not indicate matters that could have a significant effect on Lyon Township's financial reporting process (that is, cause future financial statements to be materially misstated). In my judgment, none of the adjustments I proposed, whether recorded or unrecorded by the Township of Lyon, either individually or in the aggregate, indicate matters that could have a significant effect on Lyon Township's financial reporting process.

#### Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to my satisfaction, concerning a financial accounting, reporting, or auditing matter that could be significant to the financial statements or the auditor's report. I am pleased to report that no such disagreements arose during the course of my audit.

#### Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves applications of an accounting principle to the governmental unit's financial statements or a determination of the type of auditors' opinion that may be expressed on those statements, my professional standards require the consulting accountant to check with me to determine that the consultant has all the relevant facts. To my knowledge, there were no such consultations with other accountants.

#### Issues Discussed Prior to Retention of Independent Auditors

I generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Lyon Township's auditor. However, these discussions occurred in the normal course of my professional relationship and my responses were not a condition to my retention.



Difficulties Encountered in Performing the Audit

I encountered no significant difficulties in dealing with management in performing my audit.

This information is intended solely for the use of management, Township Board and the Michigan Department of Treasury and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink, appearing to read "James M. Anderson". The signature is fluid and cursive, with a large initial "J" and a stylized "A" at the end.

James M. Anderson, P.C.  
Certified Public Accountant